

MARKET VALUE APPRAISAL
of
One parcel located within the Fritz Creek Heights Subdivision.

Appraisal # 4704-0

STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue, Suite 650
Anchorage, AK 99501-3576



MEMORANDUM

State of Alaska

Department of Natural Resources
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Division of Mining, Land & Water
550 West 7th Avenue, Suite 650
Anchorage AK 99501-3576

DATE: February 5, 2026

TO: Kevin Hindmarch
Review Appraiser

FROM: Michael S. Dooley
Appraiser II



SUBJECT: Appraisal of one parcel located within the Fritz Creek Heights Subdivision.

As requested, I have completed an appraisal of the above referenced parcel and understand that this appraisal will be used to determine a minimum purchase price for a sealed bid auction. I am submitting this report for your review and approval.

The appraisal was completed in accordance with the "Uniform Standards of Professional Appraisal Practice" of the Appraisal Foundation and in accordance with the Special Appraisal Instructions, DNR. This is an appraisal report based on the General Assumptions and Limiting Conditions stated in the report, as well as the facts, analyses, and reasoning leading to the opinions of value.

I have physically inspected the subject parcel and comparable sales. The physical descriptions of the subject parcel was based on inspection, aerial photography, topographic maps, peer appraisal reports, interviews with realtors and various individuals familiar with the area. Based on these observations and analyses of all available data, I have formed an opinion of the market values as of the effective date of value.

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APPRAISAL SUMMARY

Location and Legal Description

Subdivision Name	ADL's	Location	Legal Description
Fritz Creek Heights	Various Parcels	Approximately 8.0 miles northeast of Beluga Lake, and .75 miles northwest East End Road.	ASLS 2020-08

SUMMARY OF VALUES

Fritz Creek Heights

ADL	Lot	Block	Survey	Site Size	Value
233952	2	2	ASLS 2020-08	2.452	\$78,600

Type of Appraisal and Report

This appraisal report is prepared in accordance with Standards Rule 1 and 2 of the current edition of **Uniform Standards of Professional Appraisal Practice** (USPAP), and in accordance with DNR's Special Appraisal Instructions.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value of the properties described in this report.

Intended Use of Appraisal

The appraisal will be used by DNR to determine the minimum bid for parcels to be acquired through the auction sale program under **AS 38.05.055**.

User and Client Identity

This appraisal is prepared for the State of Alaska, Department of Natural Resources, and the general public.

Property Rights Appraised

Rights appraised are fee simple estate less mineral rights reserved to the State of Alaska under **AS 38.05.125(a)**.

Fee simple estate is defined as:

“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”¹

AS 38.05.125(a) states:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: “[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and with may be in or upon said land...[and the right] to occupy as much of said land as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.”²

Definition of Market Value

“The most probable price, as of a specified date, in cash, or terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”³

Effective Date of Value Estimate

October 8, 2025

Date of Report

February 5, 2026

¹ The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, p.78

² Alaska Statutes Title 38, Public Land Article 5, <http://www.legis.state.ak.us/basis/folio.asp>, Accessed 12/09/2025

³ The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, p.58

Exposure Time

Exposure time is defined as "...the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is different for various types of property and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort."⁴

Exposure time can vary depending on the type of property being appraised and constantly changing market conditions. Supply and demand of similar properties to the subject is an important factor for determining exposure time. Marketing times of one to two years is typical for the Beaver Creek subdivision. Marketing times of no more than one year is typical for the Fritz Creek Heights Subdivision.

Scope of the Appraisal**Property and Comparable Sales Inspection**

I performed a ground inspection of the subject property and all of the comparable sales for the Fritz Creek Heights Subdivision on October 8, 2025. Physical features and access were identified by use of previous aerial inspections, topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

Research and Analysis Conducted

Interviews were conducted with real estate agents, appraisers, local residents, and other individuals familiar with the area who provided information about trends in value, supply, demand, access, and physical characteristics of the subject properties. DNR records and the Records Office databases were searched for recent comparable sales while the Kenai Peninsula Borough database was searched for relevant sale information. Private real estate agent websites were searched for recent listings while sellers, buyers, and agents were contacted to verify recent sale prices and other transaction details.

After analysis of all available data, appropriate comparable sales were selected. The market value estimate was derived from this process and is based on the following assumptions and limiting conditions.

⁴ Uniform Standards of Professional Appraisal Practice 2018-2019, Appraisal Foundation, U-2

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.
2. All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader visualize the properties.
3. Information furnished by others and included in the report is believed to be reliable, but the appraiser does not warrant the accuracy of such information.
4. Unless otherwise noted in the report, the appraiser did not find any evidence that hazardous materials exist on these properties. The estimate of value is based on the assumption that there are no such materials on the property. The appraiser is not qualified to detect these substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge that is required to discover these substances.
5. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony, or be in attendance in court with reference to the property in question unless arrangements have been made in advance.
6. The data and conclusions in this report are a part of the whole valuation. Each part of this report is only part of the evidence upon which the final judgment is based. Therefore, no part should be used out of context and by itself alone.
7. It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for any such conditions, or for arranging engineering studies to discover them.
8. The estimate of value in this report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
9. Some parcels may contain saw timber, but not necessarily in commercial quantities. The estimated market value does not include the value of commercial timber, if any.
10. Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
11. In this valuation, various mathematical calculations were used to formulate the opinion of value. These calculations are only aids for the formulation of the opinion of value by the appraiser. Therefore, in the application of these calculations, certain arithmetical figures are rounded to the nearest significant amount.
12. The appraiser assumes no responsibility for legal matters. The subject lots are assumed to be free and clear of encumbrances, except as otherwise noted, and title is assumed to be marketable.

PRESENTATION OF DATA

Market Area – The Kenai Peninsula Borough⁵

Location:

The Kenai Peninsula Borough lies directly south of Anchorage, the State's principal population center. The waters of the Gulf of Alaska and Prince William Sound border the borough on the south and east with the dramatic Chigmit Mountains of the Alaska Range rimming the borough to the west. The Cook Inlet divides the borough into two land masses. The peninsula itself encompasses 99 percent of the borough's population and most of the development. The Kenai Mountains run north and south through the peninsula, contrasting to the lowlands lying to their west. The west side of the Inlet is sparsely inhabited, with the village of Tyonek being the largest populated settlement. The boundaries of the borough encompass a total of 25,600 square miles, of which 15,700 square miles are land.

Local Government:

The Kenai Peninsula Borough was incorporated in 1964 as a second-class borough under the authority of the State of Alaska Borough Act of 1961. The Borough's governmental responsibilities are comparable to those of a county.

Demographics:

According to the 2020 Census, the population was 59,767. There were 32,733 housing units in the community and 76.5% were occupied.

Economy:

The economy is diverse, and residents are employed in a variety of retail, professional services, city, borough, state and federal occupations.

Facilities:

The five first-class and home-rule cities in the borough are Kenai, Soldotna, Homer, Seldovia, and Seward. Other locally governed communities include Kachemak City and the native villages of Tyonek, Port Graham, and Nanwalek.

Transportation:

The area accesses both the Seward and Sterling Highways. Small commercial airlines serve Kenai Airport, but local municipal airport supports private and chartered services. The Alaska Railroad provides for delivery of ocean freight.

⁵ All information regarding market area and neighborhood information derived from <https://www.kpb.us/our-geography>, and <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

Fritz Creek Neighborhood⁶

Fritz Creek is located 7 miles northeast of Homer, on the north shore of Kachemak Bay, off the Sterling Highway. It lies at the foot of Bald Mountain.

History, Culture and Demographics

The local name was first reported in 1904 by R.W. Stone of the U.S. Geological Survey. Fritz Creek residents rely on Homer for most supplies and services. According to Census 2020, the population was 2,248.

Facilities, Utilities, Schools, and Health Care

There are no post offices or public libraries in Fritz Creek. Most residents have individual wells, septic tanks, and complete plumbing. There are no public schools in Fritz Creek. The Fritz Creek Public Health Nursing - Homer Itinerant Nursing is the only public health center. Fritz Creek residents largely depend on the service provide in Homer.

Transportation

East End Road provides road access to Homer. Nearby Homer offers an airport, harbor, docking facilities, and a state ferry landing.

Homer Neighborhood⁷

Homer is located on the north shore of Kachemak Bay on the southwestern edge of the Kenai Peninsula. The Homer Spit, a 4.5-mile-long bar of gravel, extends from the Homer shoreline. It is 227 road miles south of Anchorage, at the southernmost point of the Sterling Highway.

Culture and Demographics

The Homer area has been home to the Kenaitze tribe for thousands of years. In 1895, the U.S. Geological Survey arrived to study coal and gold resources. Prospectors bound for Hope and Sunrise disembarked at the Homer Spit. The community was named for Homer Pennock, a gold mining company promoter, who arrived in 1896 and built living quarters for his crew of 50 on the spit. Their plans were to mine the beach sands along Cook Inlet, from Homer to Ninilchik. The Homer Post Office opened shortly thereafter. In 1899, Cook Inlet Coal Fields Company built a town and dock on the spit, a coal mine at Homer's Bluff Point, and a 7-mile-long railroad that carried the coal to the end of Homer Spit. Various coal mining operations continued until World War I, and settlers continued to trickle into the area, some to homestead in the 1930s and 40s, others to work in the canneries built to process Cook Inlet fish. Coal provided fuel for homes, and there is still an estimated 400 million tons of coal deposits in the vicinity of Homer. The city government was incorporated in March, 1964. According to Census 2020, the population was 5,522.

⁶ All information regarding neighborhood information derived from <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

⁷ All information regarding neighborhood information derived from <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

Facilities, Utilities, Schools, and Health Care

The facilities include a post office and a public library. Many of the residents have individual wells, septic tanks, and complete plumbing. There is the Homer Water treatment facility that services 5,400 residents. There are eight schools located in the community. Local hospitals or health clinics include South Peninsula Hospital, Homer Public Health Center, and Seldovia Village Tribe Health and Wellness Clinic.

Transportation

Homer is served by the Homer Airport and the Beluga Lake Seaplane Base.

General Property Description for Fritz Creek Heights Subdivision

The following table illustrates the subject parcel located in the Fritz Creek Subdivision. The parcel is within Township 005 South, Range 012 West, Section 21, Seward Meridian.

ADL	Lot	Block	Survey	Site Size
233952	2	2	ASLS 2020-08	2.452

Location

Fritz Creek Heights Subdivision is located approximately 8.0 miles northeast of Beluga Lake in downtown Homer, and 0.75 miles northwest of East End Road.



Access

Access is by paved East End Road, to left on Greer Road, then left on Hill Avenue and then left on Tom Cat Drive. Access is gravel road from Greer Road to the subject subdivision.

Size & Shape

The subject parcel is 2.45 acres and is irregular in shape.

Topography

The subject parcel is level to sloping and is at approximately 500' to 700' above sea level. There is a small portion of the back of the lot with a grade exceeding 20%.

Soils/Vegetation

The subdivision contains primarily mature birch, spruce, and alder trees. Soils are typical of the surrounding area, with areas of wetlands on the parcel (see plat). The subject plat indicates that the Army Corp of Engineers should be contacted prior to construction on any of the lots.

Utilities, Water & Sewer

Electricity is adjacent to the northwest corner of Lot 1/Block 1, approximately 161' from the subject. No public water or sewer system is available. Water supply or sewage disposal systems must be located, constructed and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Amenities

Views of the surrounding mountains with potential Kachemak Bay views.

Easements & Zoning Regulations

No zoning, the subject is located within an unregulated area of the Kenai Peninsula Borough. The parcel is subject to a 20' building setback from all platted rights-of-way, which serves as a public utility easement. The subject parcel is subject to a 30' ROW for platted but undeveloped Caspian Avenue on the south property line. In addition, the south property line is subject to an additional 20' building setback.

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic material, waste, or hazards were observed during the field inspection.

Tax Assessments⁸

The subject is located within the Kenai Peninsula Borough Taxing Authority Group 81; however, there is no tax burden assessed to the State of Alaska from the borough. Tax assessments to private parties will become active when property is sold into private ownership. The 2025 mill rate for the subject subdivision is 9.87.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcel within the Fritz Creek Subdivision. There are no other known deed transfers or contracts to purchase the subject property within the past 3 years.

Personal Property

There is no personal property involved with the appraisal of this property.

⁸ <http://www.matsugov.us/realpropertyquery/detail> accessed 01-08-2026.

Fritz Creek Heights





Data Analysis and Value Conclusions

Fritz Creek Heights

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as:

“The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.”⁹

The land to be valued is considered vacant and thus valued with the highest and best potential use for the property. Value for improvements (when present on the site) is then based on their contribution to this use. The appraised parcels are vacant and unimproved.

Legally Permissible

The subject parcel is located in Fritz Creek, Alaska. The subject parcel is not subject to any known zoning requirements. Almost any legal use of these sites would be possible.

Physically Possible

The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

The subject neighborhood is a mix of recreational and residential use, with residential use predominant. Developed road access and the availability of utilities make this parcel financially feasible for either use.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. The subject neighborhood is a mix of recreational and residential use, with residential use predominant.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject parcel as vacant would be for residential use.

Valuation Analysis

Three approaches to value are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. It is not common to lease vacant land for a residential use, therefore data that supports this approach is not available.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate

⁹ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.277-278

the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. As such, the cost approach will not be used.

Sales Comparison Approach

The sales comparison approach considers actual sales or prices asked for properties that have similar characteristics of the subject properties. Adjustments are made to the comparison properties to determine the price at which they would have sold if they had identical characteristics as the subject properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use, and physical features. Of the three approaches to value, only the sales comparison approach is applicable.

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

An adjustment of less than 1.00 (or $<$) means the sale feature is superior to that appraised property and requires a downward adjustment to match the quality of the key parcel's feature, thus indicating the value of the key parcel. An adjustment greater than 1.00 (or $>$) means that the sale feature is inferior to the subject's feature which requires an upward adjustment to match, thus indicating the value of the key parcel. An adjustment of 1.00 (or $=$) means the sale feature is similar to the key parcel, and no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the sale price to indicate the value of a key parcel.

The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared with the appraised parcel; inferior features require a negative adjustment. Detailed information about the comparable sales and the adjustments is contained in this report and addenda.

Unit of Comparison

Generally, the buyers and sellers in the marketplace determine the unit of comparison, e.g., price per acre, square foot, site, front foot, etc. In this market, price per acre is appropriate.

Rights Conveyed

Fee simple less mineral rights as per Alaska Statute 38.05.125(a). Retention and exclusion of the mineral estate does not tend to affect property values, because most buyers are interested in the surface estate.

Financing Terms

In accordance with DNR instructions, market value is estimated in terms of seller financing typical for the market. Cash transactions sometimes are afforded a discount from typical financing. Sales used in this analysis do not offer quantifiable difference in prices as a result of terms. In general, a cash transaction would tend to be at the lower end of the price range with listings or sales with favorable financing usually setting the upper limit.

Utilities

The Fritz Creek Heights Parcel and C-1 do not have electrical service adjacent to the site. The remaining comparables sales have electrical service adjacent to the site. However, in this market, there does not appear to be a market reaction for parcels with electrical service adjacent compared with electrical service in the immediate area. Therefore, no electrical service adjustment was necessary.

Amenities

The Fritz Creek Heights parcel and all of the comparables have a view potential amenity. No adjustment was necessary.

Due to the confidentiality of sales information in the State of Alaska, the valuation section of the report is unavailable online. The entire report can be reviewed at the DNR Public Information Center:

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Fax (907) 269-8901
TDD for hearing impaired (907) 269-8411
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Business hours 10:00 am to 5:00 pm M-F.

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